
FISMA CASH DISBURSEMENTS FINAL AUDIT FINDING STATEMENT 2009



Prepared By:
State of California
The Resources Agency
Department of Water Resources
Internal Audit Office

September 2009

CASH DISBURSEMENTS

The cash disbursement function at DWR is primarily performed by the Payables office in the Fiscal Services Division (FSD). All cash disbursement processes for the department, ultimately flow through the FSD and are accounted for in SAP, the department's enterprise resource program. The cash disbursement process includes accounting services for payroll, paying vendors and reimbursing employee expenses

The internal control objectives for the cash disbursements cycle of the FISMA audit are:

- Established policies and procedures exist for cash disbursements.
- Adequate separation of duties exists over cash disbursements
- Cash disbursements are properly authorized and made only for proper purposes.
- Cash disbursements journals, ledger accounts, and bank accounts are posted accurately and promptly, and periodically reconciled.
- Adequate safeguards exist over check signing activities.
- Payment for purchases is accurate and is processed and recorded promptly.

FINDINGS AND RECOMMENDATIONS

FINDING: **Voided checks could not be located in the file room or in the voided check file.**

Observation:

5 out of 5 (100%) voided checks reviewed by the IAO were not kept on file in the file room or in the voided check file. The checks selected for the audit were dated for the months of May and June 2009. The auditor searched the cancelled check files located in the Fiscal Services office, but could not locate the sample selected for the audit. The auditor also searched for these checks in the file room where the files of cancelled, spoiled, or voided checks are stored. After further research, the Division of Fiscal Services located these checks on an employees' desk. Auditor noted the file room where cancelled, spoiled, or voided checks are stored was not locked, which allows for access to confidential employee information, e.g. names, addresses and signatures. In addition, the auditor noted a large quantity of spoiled checks dating back to June 2008, which were not filed and out of sequential order.

Recommendation:

Review the current Department and state policy and procedures for handling cancelled, spoiled, or voided checks. Secure in a locked file storage area all cancelled, spoiled, or voided checks and maintain proper access control to file storage area.

DIVISION'S RESPONSE

State of California

California Natural Resources Agency

Memorandum

Date: September 2, 2009

To: Jeff Ingles, Chief
Internal Audit Office

From: Perla Netto-Brown, Chief
Division of Fiscal Services
Department of Water Resources

Subject: Internal Control Review, Cash Disbursements

We have reviewed the final draft Audit Finding Statement issued by the Internal Audit Office. Following is our response to the findings and recommendations described in the audit report.

Finding No. 1

The Imaging and Records Management Unit (IRMU) agrees with the findings of the IAO that the file room in which cancelled, spoiled, or voided checks are stored was not locked; thus, potentially allowing unauthorized access to sensitive employee information. Additionally, IRMU noted the large quantity of spoiled checks dating back to June 2008 that were out of sequential order and were not filed.

In addition, the Fiscal Office located all five voided checks selected within this audit. These checks were located on the desk of the employee who performs the monthly bank reconciliation as she needs these items to reconcile the bank statement. This is part of the normal business process and therefore we do not consider this an exception.

Corrective action:

IRMU will implement a procedure to lock the door to the file room when staff is out of the file station for breaks, lunch, mail runs, etc. IRMU does not currently have keys to this room but has submitted a request to Facilities Management for three keys to be made; one will be provided to the file station staff, one to the file station supervisor, and one to the Fiscal staff that delivers checks to the file station. This will be implemented upon receipt of the keys.

We will provide advanced notice to the staff on the 8th floor informing them the door will be locked when staff is out of the file station and signage will be posted on the door to this affect. The signage will also include a name and telephone number in case of emergencies or special requests. Staff will complete notification and signage by September 7, 2009.

SURNAME
DWR 155 (Rev 1/09)

Netto-Brown
9/3/09

Jeff Ingles, Chief
September 2, 2009
Page 2

Four boxes of spoiled checks which are in numerical order, but not yet filed, have been located. These checks are not in sequential order as they are brought to the file station after they are "cleared" by the State Treasurer's Office and returned to the Department. The file station staff places all checks in numerical order and returns them to Fiscal to be placed with checks that have been cleared previously. The checks are then placed in sequential order. The checks that were dated June 2008 were not cleared by the Treasurer's Office until June 2009.

The file station staff was out of the office until August 31, 2009 but all spoiled checks will be filed by September 15, 2009.

If you have any questions regarding this matter, please contact Trish Afarian-Salvador of my staff at (916) 653-6404.